

DATE:	July 10, 2025
SUBJECT:	House Bill 2 (HB 2) Implementation: Foundation School Program (FSP) Funding Formula Changes and Preliminary School Year 2025-2026 Summary of Finances (SOF) Reports
CATEGORY:	State Funding; Funding Implications
NEXT STEPS:	Share with school system administrators and business staff

Overview

New preliminary Foundation School Program (FSP) Summary of Finances (SOF) reports for school year (SY) 2025–2026 are now available at the Texas Education Agency (TEA) [School District State Aid Reports webpage](#). This correspondence explains the changes to funding formulas authorized with the passage of House Bill (HB) 2, 89th Texas Legislature, 2025, Regular Session, and provides information on the data TEA used in the SY 2025–2026 SOF reports. Nothing shared in this correspondence supersedes the Texas Tax Code, Texas Education Code or Texas Administrative Code.

Given the significant changes required by HB 2, other related SOF reports (including the Statewide Summary of Finance, Tier One Detail Reports, and Other Programs Detail Report) will be made available throughout the year. Some of the formula funding elements for SY 2025–2026 remain the same as SY 2024–2025, and new elements were added or modified. Some Tier One allotments were expanded, and new allotments were added. The following paragraphs provide information about the format and data the agency used in the preliminary SY 2025–2026 SOF reports, including planned updates throughout the school year. Specific to HB 2, this notice includes information about changes to several components of the school finance system, including the following:

- Basic Allotment increased by the Guaranteed Yield Increment Adjustment
- Small and Mid-Sized District Allotment increased by 6-20 percent
- Career and Technology Education (CTE) weighted funding will now include students enrolled in JROTC courses
- Students in a Pathways in Technology Early College High School (P-TECH) pathway now generate \$150 per student in average daily attendance (ADA), instead of \$50 per ADA
- Increase to the Early Education Allotment based on total ADA in grades K-3
- Adjustment in funding approach to full-day prekindergarten for 4-year-olds from the Early Education Allotment
- College, Career, or Military Readiness (CCMR) Outcomes Bonus is doubled to \$4,000 for students who receive special education services
- Special Education Transportation rate is increased by \$0.05 per mile
- New Instructional Facility Allotment (NIFA) funding was increased by \$50 million per year and expanded to cover certain CTE renovations

- School Safety Allotment has roughly doubled to \$21.10 per ADA and \$33,540 per eligible campus
- Allotment for Basic Costs of \$106 per enrolled student has been provided
- Regional insurance adjustment is provided for first-tier coastal counties or areas designated as catastrophe areas in 2024
- Charter school facilities funding formula changes

LPE vs. DPE

The SOF reports contain two columns. The legislative payment estimate is in the column labeled “LPE.” This column includes the property values and student counts that the legislature used during the appropriations process. These figures form the basis of the FSP payments that your school district or charter school receives throughout the state fiscal year. The district/charter school planning estimate is in the column labeled “DPE.” This column is updated periodically throughout the fiscal year as data are reported to TEA. This column is intended to provide districts or charter schools with a more accurate indication of their actual FSP earnings for the fiscal year. After the close of the school year, the DPE column will be updated to reflect actual data, and TEA will determine final earnings for the fiscal year. There will be a “settle-up” process to correct any overpayments or underpayments that occurred during the school year.

TEA advises that districts and charter schools monitor the differences between FSP payments and actual earnings by using state aid templates. As always, the agency strongly advises school systems to project state aid based on the best available information and to plan accordingly. The SOF reports provide value in explaining the basis of cash distributions to school systems; however, amounts shown in the reports may not be appropriate for budgeting purposes, as estimates of state aid earned can be significantly impacted by factors not known to TEA.

Payment Class

A school district’s schedule of payments is determined by statutory criteria that are based on the payment class of the district. There are three payment classes defined in statute that are based on wealth per student:

- Districts in payment class 1 have property wealth per student that is less than half the statewide average.
- Districts in payment class 2 have property wealth per student that is between half the statewide average and the statewide average.
- Districts in payment class 3 have property wealth per student that is greater than the statewide average.

[Payment classes](#) are calculated semi-annually after the TEA receives state-certified property values from the Comptroller’s Property Tax Assistance Division (PTAD). Preliminary school district payment classes will be calculated using estimated tax year (TY) 2025 district property values (preliminary TY 2024 district property values multiplied by the Comptroller’s property value growth estimate of 5.60 percent) divided by estimated SY 2025–2026 average daily attendance (ADA)

relative to the statewide average wealth per ADA. After the TEA receives the final TY 2024 state-certified property values from the Comptroller's PTAD division in August 2025, district payment class will be updated on the most recent SY 2025–2026 SOF report.

The agency will post an Excel spreadsheet of District and Charter Payment Class for the SY 2025–2026 on the [Foundation School Program webpage](#) under the “Resources” subheader. The payment class will remain unchanged throughout the school year, even after preliminary state-certified TY 2025 values from the Texas Comptroller's Property Tax Assistance Division (PTAD) are received in February 2026.

Charter Schools: Schedules of payments for most charter schools are divided into 12 equal monthly payments. Charter schools that have experienced a growth in enrollment of 10 percent or more have the option of an accelerated FSP payment schedule for three school years. Charter schools whose accelerated payment classes were up for review at the end of the SY 2024–2025 will be evaluated using their SY 2023–2024 and SY 2024–2025 enrollment to determine if the accelerated payment classes would be extended for three more years or if the charter schools will need to apply to re-establish eligibility. Charter schools will be notified if their accelerated payment class has been extended or if an application was required. Charter school requests for accelerated payment schedules should be submitted through the charter module of the FSP system accessed through the [Texas Education Agency Login \(TEAL\)](#) by September 1.

Student Counts

Unless noted below, all student counts (ADA, full-time equivalents (FTEs), and enrollment counts) shown in the LPE and DPE columns are based on the March 2025 attendance projections that were submitted to the Legislative Budget Board (LBB) and approved during the appropriations process. Please note that the payments made to your school district during the year are based on the estimated student counts shown in the LPE column.

Student counts in the DPE column will be adjusted when the fall 2025 Texas Student Data System (TSDS) Public Education Information Management System (PEIMS) enrollment data become available in March 2026. These student counts are adjusted again in September 2025 with final attendance data from the summer PEIMS collection as part of the near-final settle up process.

HB 2 modifies the distribution of Foundation School Fund under Section 48.266, Education Code, requiring TEA to periodically adjust the determinations of a district's enrollment and ADA throughout the school year, based on attendance reports for each six-week interval. The agency is currently discussing implementation, and additional information is forthcoming.

District budgets should be based on the student enrollment and program participation that are expected to occur during the school year. Districts should continue to carefully monitor state aid payments during the year, as they may differ from actual earnings at year-end and result in an overpayment or underpayment.

Charter Schools: Initial ADA and FTE estimates will be based on estimates submitted by charter schools through the FSP system accessed through [TEAL](#). If no estimates are submitted, prior year estimates will be used for payment purposes in September. Because charter school attendance is less predictable than school district attendance, charter school attendance information is updated in both the LPE and DPE columns of the SOF report throughout the school year based on 6-week ADA submitted through the FSP System. Charter school current-year FSP payments will be adjusted accordingly throughout the year.

Tax Year 2025 State-Certified Property Values

The current state-certified property value used in the SY 2025–2026 SOF reports is an estimated preliminary TY 2025 property value based on preliminary TY 2024 district property values (DPV) from the Comptroller’s PTAD, multiplied by the Comptroller’s property value growth estimate of 5.60 percent. In September, TEA will update the estimated state-certified DPV in the SOF reports using final TY 2024 state-certified DPV multiplied by 5.60 percent. The agency has incorporated additional adjustments to estimated state-certified property values to estimate changes as a result of SB 4 and SB 23.

The LPE and DPE columns on the SY 2025–2026 SOF reports will be updated in February 2026 after the TEA receives preliminary TY 2025 state-certified district property values from the Comptroller’s PTAD, which will include property value changes resulting from SB 4 and SB 23. Final TY 2025 property values will ultimately be used for all districts in September 2026 for the near-final settle up process.

Tax Year 2025 Estimated M&O and I&S Tax Collections

To estimate the maintenance and operations (M&O) tax collection amounts that appear in both the LPE and DPE columns of the SY 2025–2026 SOF reports, TEA used the SY 2024–2025 DPE M&O tax collections multiplied by the Comptroller’s property value growth estimate of 5.60 percent. The agency will incorporate additional adjustments to estimated tax collections to estimate changes as a result of SB 4 and SB 23.

The TY 2025 interest and sinking fund (I&S) tax collections value is based on districts’ SY 2024–2025 budgeted I&S collections submitted through PEIMS, multiplied by the Comptroller’s property value growth estimate of 5.60 percent. The agency has incorporated additional adjustments to estimated tax collections to estimate changes as a result of SB 4 and SB 23 prior to the issuance of payments in November or December.

The LPE and DPE columns will be updated proportionally in March 2026 when TEA incorporates budgeted tax collection data from the fall PEIMS submission. It is important for districts to report budgeted collections adjusted for SB 4 and SB 23; otherwise, tier two funding will be overstated until near-final settle up.

After near-final settle-up is processed in September 2026, the DPE column will be updated to reflect tax collections submitted through the Tax Information Survey module in the FSP system accessed through [TEAL](#). In April 2026, the DPE column will be updated with final tax collections from the J-1 schedule of your district's Annual Financial Report.

Charter Schools: The estimated M&O tax collections used for school districts have been used to determine the statewide average variables for charter school funding.

Tax Year 2025 MCRs and Tax Rates

The estimated TY 2025 maximum compressed tax rate (MCR) in the preliminary SY 2025–2026 SOF reports is based on the TY 2024 district MCR adjusted downward by the difference in the state compression percentage from the prior year to the current year of \$0.0533 or (\$0.6855 - \$0.6322). For districts that received an adjustment under Texas Education Code (TEC), Section 48.2721 in TY 2024, the TY 2025 MCR will be based on the TY 2024 Tier One M&O Rate, adjusted by changes in the state compression rate. The estimated TY 2025 M&O tax rate is based on the district's adjusted MCR or Tier One M&O tax rate and the number of Tier Two pennies in the district's TY 2024 M&O rate.

TY 2025 I&S tax rates in the preliminary SY 2025–2026 SOF reports are based on the TY 2024 I&S tax rates. The LPE and DPE columns will be updated in February 2026 when TEA receives self-reported M&O and I&S tax rate data from the Comptroller's PTAD in late January 2026. MCRs will also be updated in February 2026 based on results from the Local Property Value Survey.

More information about TY 2025 MCRs and M&O tax rates can be found in the [To The Administrator Addressed Correspondence on Tax Year 2025 Maximum Compressed Tax Rates \(released June 12, 2025\)](#).

Per Capita Rate

The preliminary SY 2025–2026 SOF reports include a preliminary Per Capita Rate of **\$471.139** and prior year ADA to estimate Available School Fund amounts. The rate is subject to change during the school year. More information about per capita rates can be found on the [Per Capita Rates webpage](#).

Tier One Funding under HB 2

Tier One Subchapter B and C Allotments

Subchapters B and C, Chapter 48, Education Code, allotments appear on lines 21 through 36 of the SY 2025–2026 SOF report. Note that the line numbers in the SOF reports will change as new allotments established under HB 2 are calculated and added to the SOF reports. These allotments impact weighted average daily attendance (WADA) and Tier Two funding. The LPE and DPE columns of the SY 2025–2026 SOF reports use FTE estimates as described in the "Student Counts" section above. Student counts used in Tier One will be updated in the DPE column as part of near-final settle up in September 2026 to use ADA reported in the PEIMS summer

submission.

Basic Allotment and Guaranteed Yield Increment Adjustment: HB 2 establishes a new Guaranteed Yield Increment Adjustment (GYIA) of \$55 for the 2026-2027 biennium (school years 2025–2026 and 2026–2027) under Section 48.2561, Education Code. In subsequent biennia, the GYIA will be determined as the estimated cost to the state to maintain the guaranteed Tier Two Level One or golden penny yield of state and local funds per weighted student per cent of tax effort at the 96th percentile.

Effectively, the legislature has adopted a policy change so that the Basic Allotment will automatically increase in future years, at a rate akin to the level of property values increases across the state.

The Basic Allotment (BA) is increased from \$6,160 to **\$6,215** (\$6,160 plus the GYIA amount of \$55) **per student in average daily attendance (ADA)** for the 2026-2027 biennium. The BA is used in a series of funding formulas under the FSP that consider student characteristics.

Small and Mid-Sized District Allotment: The Small and Mid-Sized District Allotment funding weights were amended under Section 48.101, Education Code, as follows:

- Small district (less than 1,600 ADA) multiplier increased from 0.0004 to **0.00046**.
- Mid-sized district (less than 5,000 ADA but greater than 1,600 ADA) multiplier increased from 0.000025 to **0.00003**.
- Extra small district (less than 300 ADA or countywide districts) multiplier increased from 0.00047 to **0.0005**.

For school districts, the LPE and DPE columns are based on an increased BA of \$6,215 and estimated ADA described above. Under HB 2, full-time virtual non-resident students are not included in Regular Program ADA under the Small and Mid-Sized District Allotment. The DPE column will be updated at near-final settle-up in September 2026 to use ADA from the district's PEIMS summer submission.

The calculation of the statewide average Small and Mid-Sized District Allotment used for charter school funding is changed to use an increased offset of \$300 from the current \$125.

Special Education Allotment: HB 2 creates a new special education funding framework, beginning with SY 2026–2027, including:

- Modifies special education funding to weights to be set by the commissioner using eight tiers of intensity
- Directs the commissioner to establish at least 4 service groups
- Commissioner will determine formulas to ensure estimated statewide amount is approximately \$250 million more under the tiers and service groups than what would have been provided under (former) special education system as existed on September 1, 2025

- Commissioner must submit to LBB proposed weights for the tiers and amounts for the service groups (by December 1 of each even-numbered year).

HB 2 continues provision under Section 48.102, Education Code, of extended school year (ESY) with funding provided at the highest tier of intensity for which the student qualifies and removes current limitations on funding for ESY that restrict amounts to 75 percent of calculated amounts and impose an annual statewide cap of \$10 million. More detailed guidance will be provided in future correspondence.

Compensatory Education Allotment: HB 2 modified the State Compensatory Education (SCE) Allotment under Section 48.104, Education Code, to repeal the 55 percent requirement that SCE funds allocated must be used to fund supplemental programs and services designed to eliminate any disparity in performance on assessment instruments administered under the TEC, Subchapter B, Chapter 39, or disparity in the rates of high school completion between: (1) students who are educationally disadvantaged and students who are not educationally disadvantaged; and (2) students at risk of dropping out of school, as defined by the TEC, Section 29.081, and all other students.

The elimination of this spending requirement will have the effect of eliminating certain reporting requirements, and any related compliance associated with those reporting requirements. More information about this change will be communicated in correspondence coming soon.

Bilingual Education Allotment: HB 2 modified the allotment under Section 48.105, Education Code, to provide funding for alternative language education methods using a dual language immersion/one-way or two-way with a weight of 0.15 for emergent bilingual students and a weight of 0.05 for a non-emergent bilingual student. Funding is limited to \$10 million per biennium. The agency is currently evaluating how to establish this alternative model. More information will be provided to interested school systems about this during the 2025–26 school year.

Career and Technology Education Allotment: The Career and Technology Education Allotment (CTE) was amended by HB 2 in Section 48.106, Education Code, to expand the CTE funding to include courses offered under a Junior Reserve Officers' Training Corps (JROTC) program. JROTC courses would be eligible for the CTE weighted allotment at 1.28 for level 1 and 2 courses and 1.47 for level 3 and 4 courses.

The funding entitlement for P-TECH students increased from \$50 to \$150 per ADA, and the entitlement for students enrolled in new tech network campuses was removed. The increased funding for P-TECH will be applied automatically moving forward, based on the PEIMS indicator that specifically identifies students participating in P-TECH programs.

HB 2 adds students who complete a course of study offered under the P-TECH program or the R-PEP program, regardless of whether the student is enrolled in the district that provides the course of study, as eligible for the CTE allotment.

Early Education Allotment: The Early Education Allotment is modified under HB 2 in Section 48.108, Education Code. HB 2 adds an additional funding component for grades K-3 of **0.01 weight per ADA** for the purpose of funding the attendance of teachers at literacy achievement academies and mathematics achievement academies. HB 2 also changed requirements related to those academies. More information about the academies will come in future correspondence.

Separately, HB 2 modifies the approach to funding full-day prekindergarten. HB 3, 86th Texas Legislature, 2019, Regular Session, established a requirement for all districts to provide full-day prekindergarten for eligible 4-year-old students, up from the prior half-day requirements. But funding for 4-year-old students enrolled in those programs was provided based on a half-day allocation of ADA. Instead, HB 3 established the Early Education Allotment, which provided funding based on a formula of students enrolled in K-3 who were economically disadvantaged or emergent bilingual. While this provided funding in an amount roughly equivalent to a full day of ADA, it did not always match a district's prekindergarten enrollment levels.

Under HB 2, this funding model will change. The allotment of 0.1 weight per ADA for educationally disadvantaged or emergent bilingual student kindergarten through third grade students is continued, but reserves this portion of the allotment at the state level and distributes an amount to each district based on funding the additional full-day prekindergarten ADA for 4-year-olds, with any remaining after that distribution flowing proportional to the original entitlement. This should better match funding to school systems based on 4-year-old enrollment in prekindergarten. Detailed calculations will be added to the SY 2025–2026 SOF Tier One detail reports.

Teacher Incentive Allotment (TIA): Beginning in SY 2026–2027, HB 2 modifies Section 48.112, Education Code, as follows:

- Creates new "Acknowledged" designation within TIA to expand to four total designations
- Increases TIA allotment payouts, with top teachers generating up to \$36,000
- Creates a review process to ensure alignment with National Board Certification as a part of the TIA and provides more support for districts to increase eligibility for TIA
- Creates a new district-level designation "Enhanced TIA" for districts that go further and create strategic compensation systems that include all teachers and school leaders, and align compensation systems to performance

More detailed TIA guidance will be provided in future correspondence.

Early Literacy Intervention Allotment: HB 2 created a new allotment under Section 48.122, Education Code, equal to **\$250 per student** receiving reading interventions and prohibits a district or school from receiving this allotment for a student who also receives the dyslexia allotment. The new early literacy intervention allotment is capped at no more than 10 percent of students enrolled in grades K-3. This allotment will not begin until SY 2026–2027, and more detailed guidance will be provided in future correspondence.

CCMR Outcomes Bonus: The CCMR Outcomes Bonus amount modified by HB 2 in Section 48.110, Education Code, is increased for annual graduates in special education cohorts to from \$2,000 to **\$4,000**.

Rural Pathways Excellence Partnership (R-PEP) Allotment and Outcomes Bonus: Funding under the R-PEP Allotment and Outcomes Bonus is modified by HB 2 in Section 48.118, Education Code, to increase the statewide cap on funding from \$5 million to **\$20 million per year**. HB 2 also permits districts that have previously met the R-PEP requirement of less than 1,600 students but no longer meet that requirement as eligible for funding. The growth for funding purposes is limited to 110 percent. Districts interested in learning more about R-PEP should email R-PEP@tea.texas.gov.

Tier One Subchapter D Allotments

Subchapter D, Chapter 48, Education Code, allotments appear on lines 37 through 42 of the SY 2025–2026 SOF report. Note that the line numbers in the SOF reports will change as new allotments established under HB 2 are calculated and added to the SOF reports. These allotments do not impact weighted average daily attendance (WADA) and Tier Two funding.

Transportation Allotment: The Transportation Allotment modified by HB 2 in Section 48.151, Education Code, increases the special transportation rate for eligible students who receive this as a related service from \$1.08 per mile to **\$1.13 per mile**. This rate was determined using the greater of the rate per mile per regular eligible student of \$1.00 set by the Legislature in the General Appropriations Act (GAA), plus \$0.13 or a greater amount by appropriation. The SY 2025–2026 LPE and DPE columns will be updated with estimates based on estimated SY 2024–2025 route miles multiplied by the GAA-established rate of \$1.08 per mile. The DPE column will be updated at near-final settle up in September 2026 based on the increase \$1.13 rate per mile for special education transportation and information submitted by districts and charters through the Transportation module in the FSP system accessed through [TEAL](#).

New Instructional Facilities Allotment (NIFA): Section 48.152, Education Code, as amended by HB 2, expanded the definition for a new instructional facility to include funding for renovations of portions of buildings used for first time to provide high-cost and undersubscribed CTE programs. The total amount appropriated for the program, limited by statute, increased from \$100 million to **\$150 million per school year**. The amount provided per student will depend upon the total amount of NIFA applications approved and any provision, if necessary. Districts and charter schools are required to submit NIFA applications through the NIFA module in the FSP system accessed through [TEAL](#). The deadline for submitting applications this year is anticipated to be extended to August 15. Approved NIFA applications will be incorporated into the SY 2025–2026 preliminary SOF reports by December 2025. Additional guidance will be shared via Public School Funding Updates correspondence, and forthcoming updates will be provided on the [NIFA webpage](#). Please visit [Texas Education Agency Updates](#) to sign up for these email updates.

College Preparation and Career Readiness Assessment Reimbursements: HB 2 expanded the reimbursement under Section 48.155, Education Code, for students taking college preparation assessments. Under prior law, school systems could receive a single reimbursement per student for students taking the SAT, the ACT, or the TSIA. If a student took all three exams, school systems would receive reimbursement for only one of the three. Under new law, school systems can receive a reimbursement one-time if they pay for students to take either the SAT or the ACT, and separately, they will be reimbursed one-time for the cost for students to take the TSIA. HB 2 requires the agency to adopt a career readiness assessment and provide reimbursement for school systems that choose to administer the assessment.

Initial estimates for the SY 2025–2026 SOF reports are based on estimated current values from the SY 2024–2025 SOF reports. The agency will settle up in April 2026 when all student assessment data is processed. More information about reporting college preparation and career readiness assessment reimbursement will be communicated in the future.

Industry-Based Certification Examination Reimbursement: The Certification Examination Reimbursement, modified by HB 2 in Section 48.156, Education Code, increases the number of reimbursements from one to **two certification examinations per student**. This change was intended to help school systems support students pursuing lower-level and then higher-level certifications in a given field. For example, an entry-level welding certification could be followed by a more advanced welding certification. It could also support students pursuing certification across multiple fields, but that would only be relevant if students were able to complete more than one accompanying program of study.

The total amount that can be used for reimbursements is limited to **\$20 million each school year**. Initial estimates for the SY 2025–2026 SOF reports are based on estimated current values from the SY 2024–2025 SOF reports. The agency will settle up in April 2026 when all student assessment data is processed. More information about reporting CCMR exam reimbursements will be communicated in the future.

Teacher Retention Allotment: HB 2 establishes a new Teacher Retention Allotment (TRA) under Section 48.158, Education Code. The Teacher Retention Allotment provides a school system with an allotment for each classroom teacher as follows:

- For school systems with 5,000 or fewer enrolled students:
 - \$4,000 for each classroom teacher with at least 3 years and less than 5 years of experience.
 - \$8,000 for each classroom teacher with five or more years of experience.
- For school systems with more than 5,000 enrolled students:
 - \$2,500 for each classroom teacher with at least 3 years and less than 5 years of experience.
 - \$5,000 for each classroom teacher with five or more years of experience.

The preliminary SY 2025–2026 SOF reports will be updated with TRA estimated data in September 2025. A report that displays estimates of teachers eligible (and ineligible) for the TRA is available in the FSP application in the Texas Education Agency Login (TEAL), based on SY 2024–2025 data submitted by districts in the most recent PEIMS Fall Submission. Only users with a District Approver role (typically the Superintendent) can access the report. The TEA is working to publish clearer data element definitions and guidance in the SY 2025–2026 Texas Education Data Standards (TEDS) to assist districts with reporting for the TRA in the next PEIMS Fall Submission. More information about the Teacher Retention Allotment, including a link to an FAQ document that is being updated on a periodic basis, can be found in the [To The Administrator Addressed Correspondence](#) on House Bill 2 (HB 2) Implementation: Teacher Retention Allotment and Support Staff Retention Allotment (released June 12, 2025).

Support Staff Retention Allotment: HB 2 establishes a new Support Staff Retention Allotment (SSRA) under Section 48.1581, Education Code. The Support Staff Retention Allotment provides a school system with an allotment of **\$45 for each student in adjusted average attendance**. Adjusted average attendance is the quotient of the sum of the district’s allotment under TEC, Chapter 48, Subchapter B, and, if applicable, the allotment under TEC, Section 48.101, divided by the Basic Allotment for that school year (which has the effect of increasing ADA when calculating the SSRA for small and mid-sized districts and charter schools).

The preliminary SY 2025–2026 SOF reports will be updated with SSRA estimated data in September 2025. A file containing legislative estimates for the SSRA for SY 2025–2026 can be found [here](#). More information about the SSRA can be found in the [To The Administrator Addressed Correspondence](#) on House Bill 2 (HB 2) Implementation: Teacher Retention Allotment and Support Staff Retention Allotment (released June 12, 2025).

Special Education Full Initial and Individual Evaluations (FIIIE): HB 2 establishes new funding to offset costs for Special Education FIIIEs under Section 48.159, Education Code, at **\$1,000 for each child’s initial special education evaluation**. The SY 2025–2026 SOF reports will be updated with estimates based on SY 2024–2025 until actual FIIIE data for SY 2025–2026 is reported to TEA and incorporated in September 2026 as part of the near-final settle up process. Detailed correspondence about reporting FIIIEs information and obtaining funding under this provision will be communicated later this year.

School Safety Allotment: The School Safety Allotment was modified by HB 2, transferred to Subchapter D (from Subchapter C), and redesignated as Section 48.160, Education Code. Funding components of the School Safety Allotment were increased from \$10 per ADA and \$15,000 per campus to \$20 per ADA and **\$33,540 per eligible campus**. The per-student funding component is further increased to **\$21.10 per ADA**, tied to an additional increase of \$1 for each student in ADA per every \$50 by which the district’s maximum Basic Allotment exceeds \$6,160. These funding adjustments are being applied automatically moving forward.

The LPE and DPE columns of the SY 2025–2026 SOF reports use estimates of ADA as described in the “Student Counts” section above. Counts for the per-campus component are estimated based on estimated campus counts from the current SY 2024–2025 SOF reports. The DPE column will be updated at near-final settle up in September 2025 with ADA from the district and charter PEIMS summer submission and eligible campuses under 19 Texas Administrative Code Section 61.1008.

Allotment for Basic Costs: HB 2 establishes a new Allotment for Basic Costs (ABC) under Section 48.161, Education Code, to provide a school district an annual allotment of **\$106 per enrolled student**. The preliminary SY 2025–2026 SOF reports will be updated with ABC estimated data in September 2025. The funds under the ABC can only be used for specific operational costs related to transportation, hiring retired teachers, providing health insurance and employee benefits and paying for payroll taxes, contributions and other costs related to member contributions under the Teacher Retirement System of Texas, utilities, and property and casualty insurance. Funding under this allotment is being applied automatically moving forward.

Preparing and Retaining Educators through Partnership (PREP) Allotment: HB 2 establishes a new PREP allotment under Section 48.157, Education Code, beginning in SY 2026–2027. Detailed information about this allotment will be communicated later this year.

Subchapter F Allotments

Subchapter F, Chapter 48, Education Code, allotments are part of line 48, Other Programs, on the preliminary SY 2025–2026 SOF reports. Note that the line numbers in the SOF reports will change as new allotments established under HB 2 are calculated and added to the SOF reports. These allotments do not impact weighted average daily attendance (WADA) and Tier Two funding.

Charter School Facility Funding: HB 2 modifies charter school facilities funding under Section 12.106(d), Education Code. HB 2 repeals the total funding limitation amount of \$60 million and provides certain charter schools with an annual per ADA allotment equal to the Basic Allotment multiplied by 0.06 or **\$372.90 per ADA**.

Funding for eligible charter schools will be distributed (along with all the other state aid) in accordance with the standard FSP payment schedule. Charter schools do not need to apply to the TEA to receive the funding. The allotment is part of Other Programs on the SOF report and will appear on the Other Programs Detail Report, along with its own detailed report (once that report is made available). A revised calculation of the amount will occur in September 2026 and will be based on actual attendance data submitted in the PEIMS summer submission. Any differences in funding between the estimated and near-final amounts will be incorporated as part of the regular FSP settle-up process.

Additional State Aid for Certain Districts Impacted by Compression: HB 2 codifies the current implementation of Section 48.283, Education Code, providing additional state aid for certain districts impacted by tax compression.

Additional State Aid for Regional Insurance Cost Differentials (Windstorm Insurance): HB 2 establishes additional state aid for regional cost differentials under Section 48.284, Education Code, for districts located in first tier coastal counties or areas designated as catastrophe areas in 2024 for each student in ADA (adjusted for Small and Mid-Sized Allotment) in an amount equal to 80 percent of the difference between the property and casualty insurance costs per student in the designated areas and the state average using amounts tabulated from the 2023–2024 school year. This amount is established per county, for all ISDs in the county, and will be calculated and posted on the TEA State Funding webpage. Funding will flow automatically and will be noted on the Summary of Finances reports as part of updates during the school year.

Additional State Aid to Ensure Funding of Retention Allotments: HB 2 establishes Section 48.285, Education Code, to provide additional state aid to ensure funding of TRA and SSRA allotments. For SY 2025–2026 and SY 2026–2027, this allotment compares total revenue under prior law to total revenue under HB 2. If the difference is less than the sum of the district's TRA and SSRA, additional state aid is provided to ensure the difference is equal to the sum of those allotments. This provision expires September 1, 2028.

Additional State Aid for Districts with Local Revenue in Excess of Entitlement: HB 2 modifies Section 48.257, Education Code, to provide additional state aid to ensure districts that are subject to Tier One recapture but owe no recapture due to the collections-related recapture adjustment receive additional state aid for the TRA.

Subchapter G Allotments

Subchapter G, Chapter 48, Education Code, allotments are part of line 48, Other Programs, on the preliminary SY 2025–2026 SOF reports. Note that the line numbers in the SOF reports will change as new allotments established under HB 2 are calculated and added to the SOF reports. These allotments do not impact weighted average daily attendance (WADA) and Tier Two funding.

Day Placement or Cooperative Funding: HB 2 provides, under new Section 48.304, Education Code, an allotment of \$250,000 for each day placement program established in the first year of operation, plus \$100,000 for each year after the program's first year of operation or \$150,000 if at least 3 students are enrolled in the program. This funding will likely not begin until SY 2026–2027 in order to establish rules and program guidelines. Additional guidance will be provided in future correspondence.

Allotment for Completion of Teacher Literacy or Mathematics Achievement Academies: HB 2 establishes under Section 48.310, Education Code, an allotment entitling educator preparation programs to allotments equal to \$1,000 per each teacher candidate who completes a literacy achievement academy and \$500 per candidate completing a mathematics academy. This allotment will be implemented alongside the new PREP allotment, with funding not beginning until SY 2026–2027. Additional guidance will be provided in future correspondence.

Funding for Regional Day School Programs for the Deaf (RDSPD): HB 2 moved funding for RDSPD from a separate budget rider to Section 48.315, Education Code. Beginning with SY 2025–2026, RDSPD program administrators or fiscal agents are entitled to \$6,925 per student or an adjusted amount to ensure a total of at least \$35 million statewide. Additional guidance will be provided in future correspondence.

Third Grade Supplementary Supports Grant and Funding Adjustment: HB 2 established a grant program for parents of students in grades 1-4 whose students have struggled in reading, allowing those parents to use online accounts to purchase tutoring services. The program does not start immediately. More detailed guidance will be provided in future correspondence.

Tier Two Funding under HB 2

Tier Two funding appears on line 47 of the SY 2025–2026 preliminary SOF reports. Note that the line numbers in the SOF reports will change as new allotments established under HB 2 are calculated and added to the SOF reports.

Tier Two is comprised of two levels of guaranteed yield funding on the pennies of tax effort that exceed a district's Tier One tax rate or MCR. The enrichment tax rate is defined as any tax effort in excess of the tier one tax rate (MCR) up to \$0.17. The enrichment tax rate will continue to be separated into "golden pennies" and "copper pennies." For SY 2025–2026, the Tier Two **golden penny yield is \$129.52**, and the Tier Two copper **penny yield is increased to \$49.72**. Under HB 2, the golden penny yield is calculated as the Basic Allotment (BA) of \$6,215 multiplied by 0.02084, and the copper penny yield is determined by multiplying the Basic Allotment by 0.0008. HB 2 repeals prior law requirements that compress the number of copper pennies when the BA is increased.

Questions and Support

Further updates to the SY 2025–2026 SOF reports will be shared via Public School Funding Updates correspondence. Please visit [Texas Education Agency Updates](#) to sign up for these email updates.

If you have any questions related to the SY 2025–2026 SOF reports, please contact the Division of State Funding, Forecasting and Fiscal Analysis by phone at (512) 463-9238 or email sfinance@tea.texas.gov.

To support the implementation of HB 2, the agency has launched a web page specifically designed to communicate relevant information about the implementation of bills from the 89th Legislature. Given the comprehensive nature of HB 2, along with other changes made by legislation adopted during the 89th Legislature, this page will be updated periodically with more information. The page is accessible at: tea.texas.gov/89th.

School system personnel may email HB2@tea.texas.gov with any additional questions related to HB 2.